RUTGERS–NEW BRUNSWICK
Institute for the Study of Employee Ownership and Profit Sharing
School of Management and Labor Relations

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Employee Stock Ownership Plans (ESOPs)
Building wealth, protecting jobs

Employee Stock Ownership Plans (ESOPs) offer workers several benefits including increased wealth-building and in many cases, **greater job security and opportunities for engagement**.

ESOPs Build Wealth for Employees of All Wage Levels

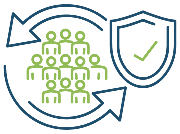
Chelsea* is a supermarket employee. For over a decade, she has worked for an employer with an ESOP. With a high school degree, Chelsea has about $158,000 in her ESOP account. When asked what she likes best about being an "employee owner" through an ESOP she said:

"Honestly, the most important thing to me is that when I retire in five years I won't have to worry."

Chelsea is one of more than 10 million employees across the country who participate in an ESOP. Her experience reflects that of many others.

ESOP Design Features

Company-Funded
Employees typically make no contribution from their own pay.



Inclusive
ESOPs must cover most employees, regardless of earnings or job rank.

KEY FACTS ABOUT ESOPS

- **Substantial Account Balances** — Nationwide, the average ESOP account holds approximately $165,000 per participant.*
- **Widely used in NJ** — New Jersey ESOPs cover more than a half million employees and hold on average $262,711.*
- **Closes Wealth Gaps** — ESOPs offer significant potential for Black, Latino and other workers that have been historically excluded from wealth-building opportunities.

**Name has been changed.*

ESOPs Can Retain and Protect Jobs

At one ESOP moving company, when the COVID-19 downturn struck, company leaders were determined to avoid furloughs or layoffs. *"**Our CEO's main focus was 'How do I keep everybody in this employee-owned company employed if our business gets cut in half?'** Whereas a number of companies furloughed or jettisoned people, we tried like heck not to do that, and we were successful,"* recalled the company's vice president of finance.

RETENTION ADVANTAGES WITH ESOPS

- **Fewer layoffs** — During the early COVID-19 contraction, ESOP companies were 3 to 4 times more likely to retain employees.
- **Smoother transitions** — Jobs may be safeguarded when a selling or retiring business owner chooses to transition ownership to employees through an ESOP rather than selling to a competitor, outside investor, or private equity firm.

ESOPs Are Linked to a Variety of Other Benefits

Research suggests that ESOPs are also associated with **employee involvement practices, on the job training and mentoring, access to other benefits, and better workplace safety.**

** Average wealth figures calculated by Rutgers Institute for the Study of Employee Ownership and Profit Sharing based on U.S. DOL 2021 data and include ESOPs in both closely held and publicly traded firms. Quotes are from research on ESOPs conducted by Adria Scharf, PhD.*

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